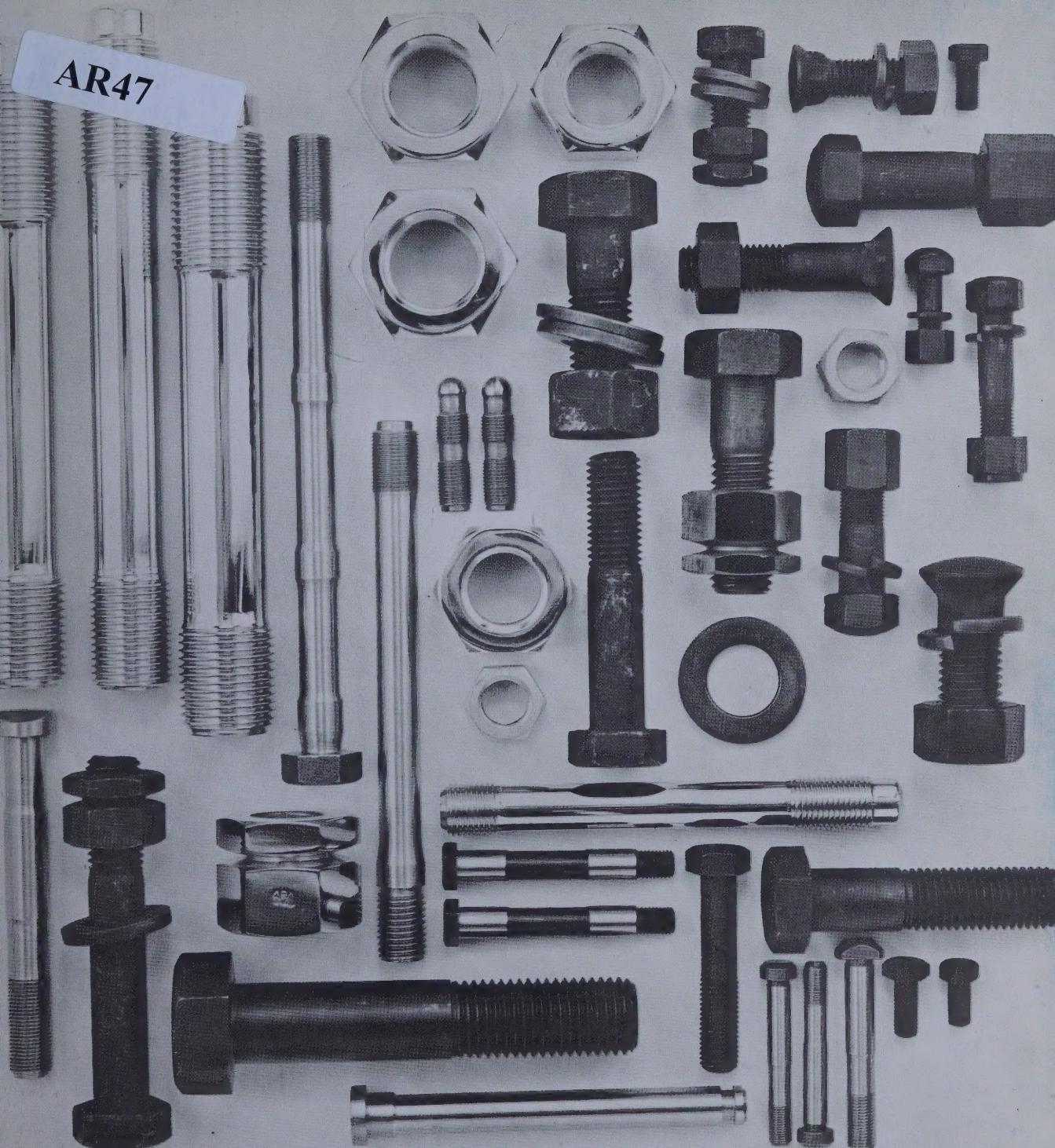


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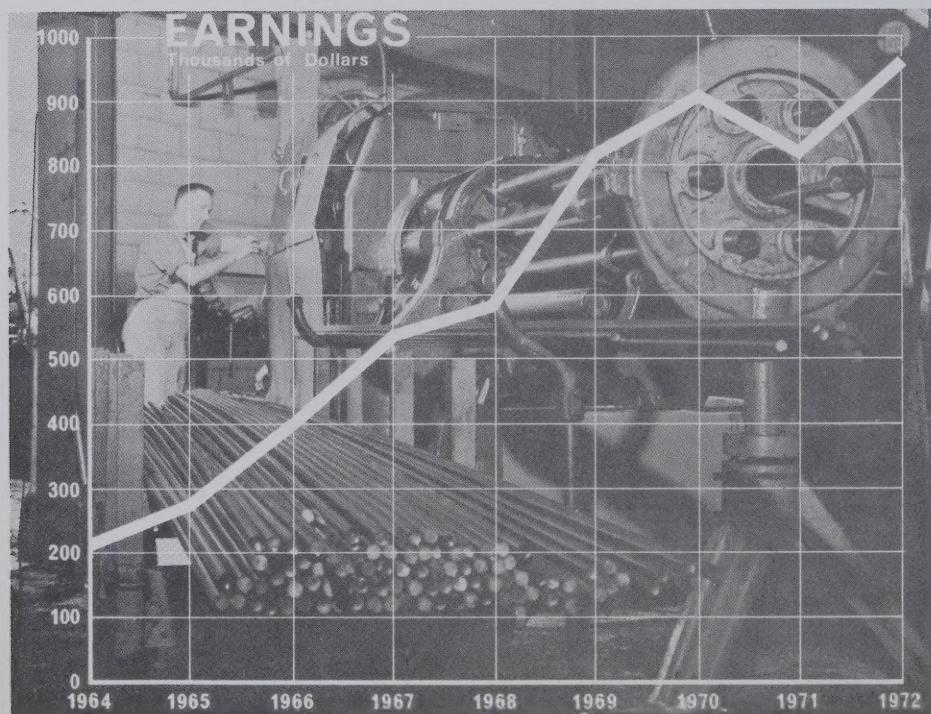
AUTOMOTIVE HARDWARE LIMITED
ANNUAL REPORT 1972

Summary of Years' Results

Year ended December 31,
1972 1971

| | | | |
|--|-----------|---------------------|--------------|
| Sales | - - - - - | \$19,464,294 | \$17,531,182 |
| Cost of goods sold and operating expenses (exclusive of depreciation, interest on long term debt and debenture discount amortization) | - - - - - | \$16,747,097 | \$14,977,374 |
| Operating profit | - - - - - | \$ 2,717,197 | \$ 2,553,808 |
| Profit before income taxes | - - - - - | \$ 1,739,781 | \$ 1,663,349 |
| Income taxes | - - - - - | \$ 781,808 | \$ 839,675 |
| Net earnings | - - - - - | \$ 957,973 | \$ 823,674 |
| Net earnings per share* | - - - - - | \$ 1.06 | \$ 0.92 |
| Working capital | - - - - - | \$ 7,182,829 | \$ 7,069,127 |
| Fixed assets (net) | - - - - - | \$ 6,392,611 | \$ 5,930,088 |
| Shareholders' equity | - - - - - | \$ 8,500,954 | \$ 7,758,981 |
| Equity per share* | - - - - - | \$ 9.45 | \$ 8.62 |
| Dividends per share | - - - - - | 24¢ | 24¢ |

* based on 900,000 shares outstanding



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Interim Report to Shareholders

for the six months ended June 30, 1972



**AUTOMOTIVE HARDWARE LIMITED
and Subsidiary Companies**

TO THE SHAREHOLDERS,

Management is pleased to report that the growth in sales volume for the second quarter of 1972, compared to the same period in 1971, has continued at the 14% rate enjoyed in the first quarter of 1972. The increased volume yielded a net income after tax, for the six months ended June 30, 1972, of \$540,841 compared with \$420,955 for the similar period last year. The basic earnings per share for the six months have correspondingly increased to 60.1¢ from 46.8¢ for the same period in 1971, an increase of 13.3¢, or 28%. The Company is optimistic that this trend will continue for the remainder of 1972.

Orders on hand are at a record high level, and in order to deal with them most efficiently, the Company has purchased additional productive equipment at a cost of over \$600,000, and is extending its main plant area by some 33,000 square feet to a total of 300,000 square feet.

Two subsidiary companies whose operations are concentrated in the automotive after-market products have moved to new premises in August 1972. The increase in area from 15,000 to 30,000 square feet will enable these companies to service and attract an even greater sales volume, which in turn will contribute increasingly to the Company's earnings.

Toronto, Ontario,
August 21, 1972.

Irwin Goldhart,
President.

Sales
Cost of Goods Sold and Operating Expenses
Exclusive of Items Shown Below

Depreciation
Interest on Long Term Debt
Amortization of Debenture Discount

Earnings Before Income Taxes
Income Taxes Payable
Income Tax Deferral Adjustment
Income Taxes Applicable to Period
Net Earnings for Period
Basic Earnings per Share for Period
900,000 Shares Outstanding on J

Comparative

Source of Funds:

| |
|--|
| Net Earnings |
| Depreciation |
| Amortization of Debenture Discount |

Principal Repayment on Mortgages

Income Tax Deferral Adjustment

Application of Funds:

| |
|--|
| Purchase of and Deposits on Fix |
| Reduction of Long Term Debt |
| Dividends Declared |
| Excess of Cost of Shares in Subsidiary |
| Over Net Equity Acquired |

Net Increase in Working Capital
Working Capital January 1
Working Capital June 30

* Note; 1971 statements restated to reflect subsidiary company acquired in 1971
** Fully diluted earnings per share for convertible debentures and exercis

MOTIVE HARDWARE LIMITED and Subsidiary Companies

Comparative Consolidated Statement of Earnings (Unaudited)

For the Six Months Ended June 30

| | <u>1972</u> | <u>Restated * 1971</u> |
|--------------|---------------------|----------------------------|
| | \$ 9,952,913 | \$ 8,738,365 |
| | <u>8,480,607</u> | <u>7,416,984</u> |
| | <u>\$ 1,472,306</u> | <u>\$ 1,321,381</u> |
| | \$ 316,405 | \$ 278,615 |
| | 146,213 | 146,023 |
| | 3,000 | 3,000 |
| | <u>465,618</u> | <u>427,638</u> |
| | <u>\$ 1,006,688</u> | <u>\$ 893,743</u> |
| | \$ 424,905 | \$ 480,375 |
| | 40,942 | (7,587) |
| | <u>465,847</u> | <u>472,788</u> |
| | <u>\$ 540,841</u> | <u>\$ 420,955</u> |
| | <u>60.1¢</u> | <u>46.8¢</u> |
| on 0) * * | | |

Consolidated Statement of Source and Application of Funds (Unaudited)

For the Six Months Ended June 30

| | <u>1972</u> | <u>Restated * 1971</u> |
|--|---------------------|----------------------------|
| | \$ 540,841 | \$ 420,955 |
| | 316,405 | 278,615 |
| | 3,000 | 3,000 |
| | <u>\$ 860,246</u> | <u>\$ 702,570</u> |
| | 5,842 | 6,345 |
| | 40,942 | (7,587) |
| | <u>\$ 907,030</u> | <u>\$ 701,328</u> |
| Assets (Net) | \$ 632,555 | \$ 160,277 |
| | 150,794 | 214,222 |
| | 108,000 | 108,000 |
| Company | <u>—</u> | <u>164,471</u> |
| | 891,349 | 646,970 |
| | <u>\$ 15,681</u> | <u>\$ 54,358</u> |
| | <u>7,069,127</u> | <u>7,018,312</u> |
| | <u>\$ 7,084,808</u> | <u>\$ 7,072,670</u> |
| Include operations of a ing conversion of the stock options) | <u>52.2¢</u> | <u>41.4¢</u> |

AUTOMOTIVE HARDWARE LIMITED

and its wholly owned subsidiary companies

Directors:

Irwin Goldhart,
President,
Automotive Hardware Limited

Frances A. Reid,
Vice-President,
Automotive Hardware Limited

Goldie Potashin,
Secretary-Treasurer,
Automotive Hardware Limited

Sidney Goldhart,
Vice-President,
Docap Manufacturing Company Limited

Ross M. Hanbury,
Vice-President and Director,
Wood Gundy Limited

Harry L. Mendelson, Q.C.,
Partner,
Mendelson, Beatty and Wood
Barristers and Solicitors

Officers:

Irwin Goldhart, *President*
Frances A. Reid, *Vice-President*
Goldie Potashin, *Secretary-Treasurer*

Registrar, Transfer Agent and Trustee:

National Trust Company Limited
Montreal, Toronto, Winnipeg, Calgary
and Vancouver

Auditors:

Miller, Stone, Saperia and Isaacs
Chartered Accountants

Shares Listed:

Toronto Stock Exchange

Head Office and Plant:

55 Brown's Line, Toronto, Ontario

President's Report to Shareholders



*Irwin Goldhart,
President*

The past year was one of steady progress for Automotive Hardware Limited in both its financial performance and internal development.

The single qualification to what otherwise would have been a wholly-successful year was a four-week labour strike during the fourth quarter. Sales and earnings in 1972 were at record levels, despite the adverse effect of the strike on year end results.

Financial Review

Sales in the year ended December 31, 1972, rose 11% to \$19,464,000 from \$17,531,000 in the previous year. This increase is attributable to strong demand for the Company's products.

Net earnings in 1972 were \$957,973, or \$1.06 per share, compared with a profit of \$823,674, or 92¢ per share in 1971.

Working capital at year-end was \$7,182,829. Shareholders' equity increased to \$8,500,954 or \$9.45 per share. This compares with \$7,758,981, equivalent to \$8.62 per share at the close of 1971.

Operations

During 1972 there was a substantial increase in the manufacturing and sale of the Company's own products as well as in the distribution of the numerous other items with which the Company deals.

In keeping with the Company's expansion plans, additional production equipment at a cost of some \$900,000 was installed in 1972, and the Company also completed the construction of a 30,000 square foot extension to its main premises in Metropolitan Toronto. The Toronto plant area is now 300,000 square feet.

In order to facilitate and increase distribution of goods by the Company, two of its subsidiaries moved into larger premises in north-west Toronto. These two, Docap Manufacturing Company Limited and S. F. Bacher and Company Limited, are chiefly involved in the distribution of products for the aftermarket sector of the automotive industry. The volume of sales and profits of these two subsidiaries have continued to increase sharply in recent months so that the

move to larger premises is proving very desirable during a period of such increasing growth.

A special note of appreciation is extended to the many supervisory and salaried personnel of the Company whose efforts during the strike period made possible the continuation of bulk shipments and customer services.

Outlook

Prospects for significant increases in sales and earnings in the current year appear encouraging. This promising outlook is based on preliminary first quarter results which indicate a favourable profit picture. A further indication is found in the Company's markedly higher level of orders on hand, compared with a year ago.

In recent months, shareholders and other interested parties have questioned management on the potential impact of changes in the Canada - U.S. Auto Pact on the Company's operations. To answer this question, the following factors should be noted:

Firstly, less than one-half of 1% of Company sales are made to automobile manufacturers and are therefore within the scope of the Auto

Pact. Secondly, the area of the automotive industry in which the Company is increasingly active — the aftermarket or replacement sector — is not directly affected by the Auto Pact.

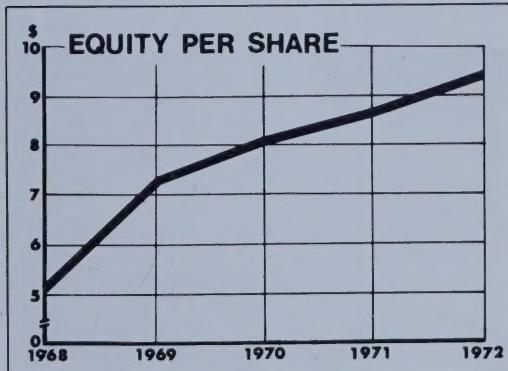
Because of these factors, your Company is by no means dependent for its continued growth on the terms of a renegotiated Auto Pact. In any event, the Company has in fact, developed a diversified customer mix in past years and intends to maintain this policy in the future. This, we believe to be a sound approach to steady corporate growth.

The directors wish to express their appreciation to all employees for their contributions to the progress of the Company in the past year. The continued support of all shareholders is also valued.

On behalf of the Board,

May 28, 1973

Irwin Goldhart, President



Corporate Profile

Like much of Canada's secondary industry, Automotive Hardware Limited traces its origins to the early 1940's when North America entered a new and strong economic phase.

Initially, the Company acted as a distributor of bolts, nuts, screws and related industrial fasteners. As the pace of the economy quickened and the demand for these items rose sharply, the Company began manufacturing operations with the incorporation of Automatic Screw Machine Products in 1945. Later, in 1959, Federal Bolt & Nut Corporation was formed as the Company's major fastener production arm.

In the expansion process which continued through the 1960's, production capacity was increased for a broad range of ferrous and non-ferrous metal fasteners, including custom-designed and standard fittings. Additional product lines of other manufacturers were also acquired for wholesale distribution to the automotive aftermarket through the Docap and Bacher Divisions. These lines included automobile replacement parts, tire and tube repair

accessories, service station equipment and electrical systems components.

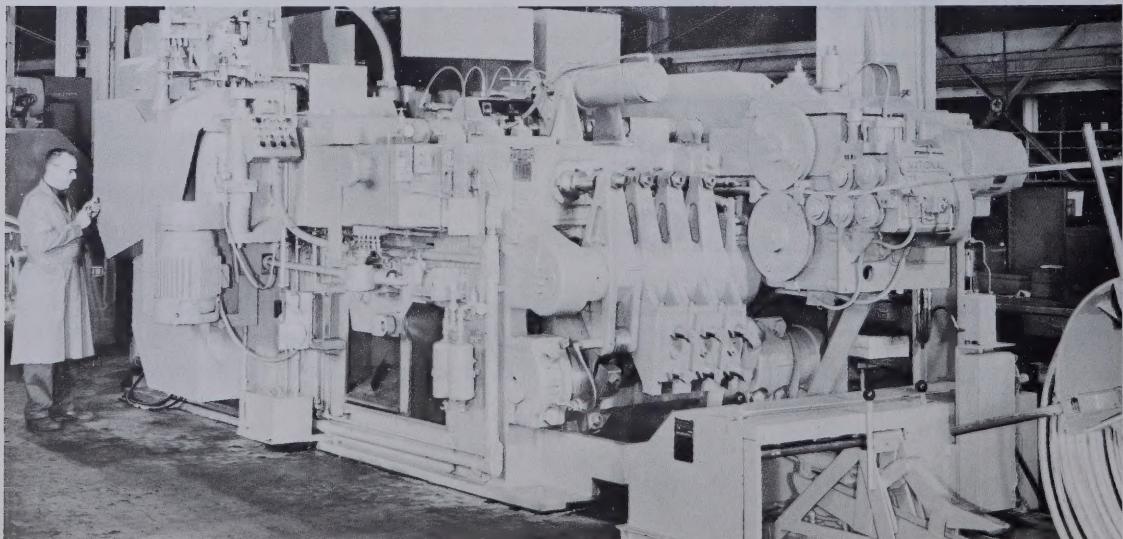
Distribution activities were also expanded during these years through the development of a warehouse network which today extends coast to coast from Dartmouth, Nova Scotia, to Vancouver, British Columbia. Total floor area at the 7 branch warehouses is more than 130,000 square feet.

Through this network the Company has developed an increasingly diverse customer mix in order to provide stability in sales and to minimize the effect of fluctuating demands in individual industries. Confirming this point is the fact that among more than 3,000 customers currently served by Automotive Hardware, no single customer accounts for more than 5% of total volume.

Operations:

The Company's manufacturing facilities are concentrated in a 300,000 square foot complex in Metropolitan Toronto. Expansions at this main facility during the past four years have

3/4-inch boltmaker



involved expenditures of more than \$4 million and have increased manufacturing floor area by more than 50%.

The construction phase of the most recent 30,000 square foot expansion was completed in late 1972. The additional area is being fitted with new materials handling and shipping equipment to complement previous increases in manufacturing production.

Sales of the Company's products — numbering more than 22,000 — are made to a diverse group of industries including general manufacturing, oil and gas, automotive, construction, pulp and paper, mining and agriculture. Exports are made to 42 countries. Sales in the domestic market are made principally to wholesale distributors and jobbers.

Automotive Hardware's warehouse network is a key element of its policy of customer diversification. Through branches located in major cities across Canada, local industries and wholesale distributors are provided with prompt service and deliveries which might otherwise be delayed by shipments from long distance. In

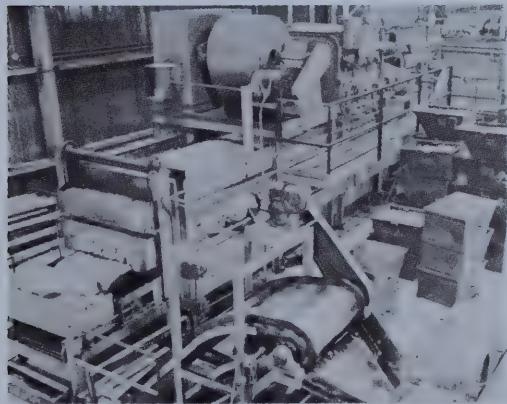
addition, it facilitates the coordination of production scheduling with developing market requirements.

Growth Prospects:

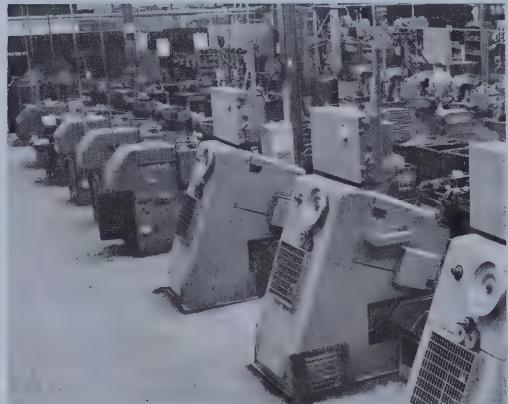
Because of widespread industrial uses of the many items produced and distributed by the Company, Automotive Hardware is in a position to participate extensively in the overall growth of the Canadian economy. It also stands to benefit significantly from major construction projects in the oil and natural gas industry. Pumping stations along the proposed northern and Arctic pipeline routes will require huge quantities of bolts, nuts and fittings. New refineries needed to process additional crude oil production will also have such requirements.

The combined effect of these factors should produce a sustained increase in demand for the Company's products. Through the development of expanded production and distribution facilities, the Company plans to maximize its participation in the growing markets which it serves.

Continuous hardening and tempering furnace



Nut tappers



AUTOMOTIVE HARDWARE LIMITED

and its wholly owned subsidiary companies

COMPARATIVE CONSOLIDATED BALANCE SHEET

as at December 31

| | | 1972 | 1971 |
|---|-----------|---------------------|---------------------|
| | ASSETS | | |
| CURRENT ASSETS | | | |
| Accounts Receivable (Less Allowances for Doubtful Accounts) | - - - | \$ 2,989,964 | \$ 2,907,819 |
| Inventories, at Lower of Cost or Replacement Cost | - - - - - | 7,189,801 | 6,995,163 |
| Marketable Securities | - - - - - | 2,250 | 4,250 |
| Sales Tax and Duty Drawback Claims Outstanding | - - - - - | 244,738 | 192,404 |
| Corporation Taxes Refundable | - - - - - | 108,356 | 141,106 |
| Prepaid Expenses and Deposits | - - - - - | 106,878 | 146,959 |
| Life Insurance, Cash Surrender Value | - - - - - | 11,043 | 10,100 |
| | | \$10,653,030 | \$10,397,801 |
| MORTGAGE RECEIVABLE (7% Due 1979) | - - - - - | \$ 101,841 | \$ 112,708 |
| FIXED ASSETS (AT COST) | | | |
| Land | - - - - - | \$ 281,809 | \$ 281,809 |
| Buildings | - - - - - | 2,465,123 | 2,257,953 |
| Machinery and Equipment | - - - - - | 7,917,673 | 7,083,968 |
| Motor Vehicles | - - - - - | 164,026 | 145,377 |
| Leasehold Improvements | - - - - - | 39,599 | 39,740 |
| Dies and Small Tools | - - - - - | 180,000 | 180,000 |
| | | \$11,048,230 | \$ 9,988,847 |
| Less — Accumulated Depreciation | - - - - - | 4,655,619 | 4,058,759 |
| | | \$ 6,392,611 | \$ 5,930,088 |
| DEPOSITS ON EQUIPMENT AND DEFERRED TOOLING COSTS | - - - - - | \$ 53,329 | — |
| UNAMORTIZED DEBENTURE DISCOUNT | - - - - - | 99,000 | 105,000 |
| | | \$17,299,811 | \$16,545,597 |

The accompanying notes form an integral part of these financial statements.

| | | 1972 | 1971 |
|---|-----------|----------------------------|----------------------------|
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Bank Loans and Overdraft (Note 7d) | - - - - - | \$ 1,733,131 | \$ 1,231,468 |
| Accounts Payable and Accrued Liabilities | - - - - - | 1,421,981 | 1,719,603 |
| Dividends Payable | - - - - - | 54,000 | 54,000 |
| Current Portion of Long Term Debt | - - - - - | 261,089 | 323,603 |
| | | <u>\$ 3,470,201</u> | <u>\$ 3,328,674</u> |
| LONG TERM DEBT (LESS CURRENT PORTION AS ABOVE) (Note 4) | - - - - - | \$ 4,286,692 | \$ 4,542,462 |
| DEFERRED INCOME TAXES (Note 3) | - - - - - | \$ 1,041,964 | \$ 915,480 |
| SHAREHOLDERS' EQUITY | | | |
| CAPITAL STOCK (Note 5a) | - - - - - | \$ 1,143,030 | \$ 1,143,030 |
| CONSOLIDATED RETAINED EARNINGS | - - - - - | 5,516,853 | 4,774,880 |
| CONTRIBUTED SURPLUS (Note 6) | - - - - - | 1,841,071 | 1,841,071 |
| | | <u>\$ 8,500,954</u> | <u>\$ 7,758,981</u> |
| APPROVED ON BEHALF OF THE BOARD | | <u>\$17,299,811</u> | <u>\$16,545,597</u> |
| Irwin Goldhart, <i>Director.</i> | | | |
| Goldie Potashin, <i>Director.</i> | | | |

AUTOMOTIVE HARDWARE LIMITED

and its wholly owned subsidiary companies

COMPARATIVE CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31

| | 1972 | 1971 |
|--|---------------------|--------------|
| SALES | \$19,464,294 | \$17,531,182 |
| COST OF GOODS SOLD AND OPERATING EXPENSES | | |
| EXCLUSIVE OF ITEMS SHOWN BELOW | 16,747,097 | 14,977,374 |
| | \$ 2,717,197 | \$ 2,553,808 |
| DEPRECIATION (Note 2) | \$ 682,766 | \$ 591,559 |
| INTEREST ON LONG TERM DEBT | 288,650 | 292,900 |
| AMORTIZATION OF DEBENTURE DISCOUNT | 6,000 | 6,000 |
| | \$ 977,416 | \$ 890,459 |
| EARNINGS BEFORE INCOME TAXES | \$ 1,739,781 | \$ 1,663,349 |
| INCOME TAXES (Note 3) | 781,808 | 839,675 |
| EARNINGS FOR THE YEAR | \$ 957,973 | \$ 823,674 |
| EARNINGS PER SHARE BASED ON 900,000 SHARES | | |
| OUTSTANDING (Note 10) | \$ 1.064 | \$ 0.915 |

COMPARATIVE CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31

| | 1972 | 1971 |
|---------------------------|---------------------|--------------|
| BALANCE, JANUARY 1 | \$ 4,774,880 | \$ 4,167,206 |
| Net Earnings for the Year | 957,973 | 823,674 |
| | \$ 5,732,853 | \$ 4,990,880 |
| Dividends Declared | 216,000 | 216,000 |
| BALANCE, DECEMBER 31 | \$ 5,516,853 | \$ 4,774,880 |

The accompanying notes form an integral part of these financial statements.

COMPARATIVE CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
 for the year ended December 31

| | <u>1972</u> | <u>1971</u> |
|--|---------------------------|--------------------|
| SOURCE OF FUNDS | | |
| Net Earnings | \$ 957,973 | \$ 823,674 |
| Depreciation | 682,766 | 591,559 |
| Amortization of Debenture Discount | <u>6,000</u> | 6,000 |
| FUND'S FROM OPERATIONS | \$1,646,739 | \$1,421,233 |
| Principal Repayments of Mortgage Receivable Received | 10,867 | 11,990 |
| Deferred Payment Contracts on New Equipment | — | 377,280 |
| Deferred Income Tax Adjustments | <u>126,484</u> | 23,320 |
| | <u>\$1,784,090</u> | <u>\$1,833,823</u> |
| APPLICATION OF FUNDS | | |
| Purchase of Fixed Assets (Less Proceeds of Disposals) | \$1,145,289 | \$ 983,728 |
| Deposits on Equipment and Deferred Tooling Costs | 53,329 | — |
| Reduction in Long Term Debt | 255,770 | 418,809 |
| Dividends Declared | <u>216,000</u> | 216,000 |
| Excess of Cost of Shares of Subsidiary Company Over Net Equity Acquired During Year | — | 164,471 |
| | <u>\$1,670,388</u> | <u>\$1,783,008</u> |
| NET INCREASE IN WORKING CAPITAL | \$ 113,702 | \$ 50,815 |
| WORKING CAPITAL, JANUARY 1 | <u>7,069,127</u> | <u>7,018,312</u> |
| WORKING CAPITAL, DECEMBER 31 | <u>\$7,182,829</u> | <u>\$7,069,127</u> |

The accompanying notes form an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1972

1. BASIS OF CONSOLIDATION.

The accompanying financial statements combine the accounts of Automotive Hardware Limited and its wholly owned subsidiary companies.

All material inter-company transactions and balances on the aforementioned statements were eliminated for consolidation purposes.

2. DEPRECIATION.

Provision for Depreciation on these statements was computed at the maximum rates allowed by The Income Tax Act except for Federal Bolt & Nut Corporation Limited which was computed at 7½% straight line rate for all equipment installed. Tools and dies were expensed in the year during which the related equipment was used except for \$180,000 which was capitalized in 1960.

3. INCOME TAXES — PAYABLE AND DEFERRED

The companies follow the tax allocation principle of providing for income taxes. Under this principle: (a) the earnings statement reflects income tax expense based on depreciation as recorded; (b) income taxes payable are calculated on the basis of current maximum capital cost allowances permitted by regulation; and (c) the difference between income tax expense under (a) above and income taxes payable under (b) above is reflected as an adjustment to deferred income taxes on the balance sheet.

4. LONG TERM DEBT.

| | | |
|---|--------------------|--|
| Equipment Contracts Payable | | |
| (Secured) - - - - - | \$ 680,113 | |
| 6 7/8% Realty Mortgage Due 1986 | 867,668 | |
| 6% Convertible Debenture, Series A, Due 1989 | - - 3,000,000 | |
| | \$4,547,781 | |
| Less — Amounts Due Within One Year | - - 261,089 | |
| | <u>\$4,286,692</u> | |

6% CONVERTIBLE DEBENTURE SERIES A, DUE JULY 2, 1989.

- (a) This debenture, issued July 2, 1969, is secured by a floating charge on the assets of Automotive Hardware Limited and its wholly owned subsidiary companies. Interest is paid semi-annually;
- (b) Each debenture is convertible at the holder's option at any time up to July 2, 1979, at a conversion rate of 70 common shares per \$1,000 principal amount;
- (c) In each of the years 1980 to 1988, the Company is obligated to pay to the trustee, by way of a sinking fund, sums sufficient to retire on July 2 in each of such years, 10% of the aggregate principal amount outstanding on July 3, 1979.

5. (a) CAPITAL STOCK.

Authorized:

4,877,600 Class A, non-cumulative, non-voting, redeemable shares with a par value of \$1.00 each;

1,000,000 Class B, participating shares without par value;

3,000,000 Common shares without par value.

Outstanding and Fully Paid:

| | | |
|--|-----------|--------------------|
| 600,000 Class B, participating shares, without par value | - - - - - | \$ 11,273 |
| 300,000 Common shares, without par value | - | <u>1,131,757</u> |
| | | <u>\$1,143,030</u> |

(b) EMPLOYEES' STOCK OPTION PLAN.

In 1969, the Company established an employee stock option plan for a maximum of 45,000 common shares, of which options on 28,000 common shares were granted to 15 employees (of which 7,500 shares were granted to 3 directors) at \$11.28 per share. As at December 31, 1972, no options had been exercised.

(c) CONVERSION PRIVILEGE OF 6%
CONVERTIBLE DEBENTURE, SERIES A.

The Company has reserved 210,000 common shares to meet the conversion privilege of the holders of such debenture.

6. CONTRIBUTED SURPLUS.

Net excess of the equity of the subsidiary companies over the cost of their acquisition by Automotive Hardware Limited as at January 1, 1972 - - - - - \$1,841,071

7. COMMITMENTS.

(a) LEASES.

The Company is obligated to pay the following annual rentals under its existing leases:

| | | | |
|----------|-----------|----------|-----------|
| 1973 - - | \$178,292 | 1980 - - | \$ 62,206 |
| 1974 - - | 175,948 | 1981 - - | 56,463 |
| 1975 - - | 165,079 | 1982 - - | 31,693 |
| 1976 - - | 124,012 | 1983 - - | 11,360 |
| 1977 - - | 94,039 | 1984 - - | 11,360 |
| 1978 - - | 94,039 | 1985 - - | 4,381 |
| 1979 - - | 80,775 | | |

(b) EQUIPMENT.

At December 31, 1972, the companies had commitments to purchase equipment aggregating approximately \$77,000.

(c) PENSION PLANS.

During 1972, the Company made the following payments:

| | |
|----------------------------------|-----------|
| Contributory Plan - - - - - | \$100,298 |
| Non-Contributory Plans - - - - - | 83,100 |

Past service funding of the non-contributory plans' requirements are currently \$18,900 annually for each of the next thirteen years.

(d) Bank loans were secured by a registered assignment of accounts receivable.

(e) Letters of credit outstanding totalled \$12,342.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS.

Direct remuneration paid to the directors and senior officers of the Company (nine in number) during the year amounted to \$271,893. In addition thereto, the Company contributed during the year the sum of \$12,667 under its contributory employee pension plan on behalf of these directors and senior officers.

9. Pursuant to lease commitments prior to 1972, the Company paid Mr. Irwin Goldhart, the president of the Company, rentals totalling \$59,081 for warehouses in Vancouver, British Columbia, and Dartmouth, Nova Scotia.

10. EARNINGS PER SHARE.

| | 1972 | 1971 |
|--|----------------|----------------|
| Based on 900,000 shares issued and outstanding - - - | <u>\$1.064</u> | <u>\$0.915</u> |
| Based on full potential dilution | <u>\$0.935</u> | <u>\$0.812</u> |

Fully diluted earnings per share calculation shows the effect on earnings per share which would have resulted if (a) all the 6% Series A debentures had been converted into common shares on January 1, and (b) the employees' stock options for the purchase of 28,000 common shares at \$11.28 had been exercised on January 1, and that the funds derived therefrom had been invested to produce an annual return of 8%, before applicable income taxes. The income imputed, after income taxes, as a result of (a) and (b) above, was \$105,712 in 1972 and \$100,458 in 1971.

AUDITORS' REPORT

To the Shareholders of Automotive Hardware Limited:

We have examined the consolidated balance sheet of Automotive Hardware Limited and its wholly owned subsidiary companies as at December 31, 1972, and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
April 12, 1973.

MILLER, STONE, SAPERIA AND ISAACS
Chartered Accountants.

AUTOMOTIVE HARDWARE LIMITED

and its wholly owned subsidiary companies

Six Year Financial Summary

(in thousands of dollars except where indicated*)

| | 1972 | 1971 | 1970 | 1969 | 1968 | 1967 |
|-----------------------|-----------------|----------|----------|----------|----------|----------|
| Sales | \$19,464 | \$17,531 | \$15,767 | \$15,235 | \$12,145 | \$11,890 |
| Earnings before Taxes | 1,740 | 1,663 | 1,906 | 1,836 | 1,218 | 1,078 |
| Net Earnings | 958 | 824 | 906 | 817 | 581 | 533 |
| Net Profit Margin | 4.9% | 4.7% | 5.7% | 5.4% | 4.8% | 4.5% |
| Earnings per Share* | \$ 1.06 | 92¢ | \$1.01 | 91¢ | 65¢ | 59¢ |
| Total Assets | \$17,300 | \$16,546 | \$15,719 | \$13,830 | \$12,574 | N/A |
| Long Term Debt | 4,287 | 4,542 | 4,584 | 4,308 | 1,430 | N/A |
| Shareholders' Equity | 8,501 | 7,759 | 7,316 | 6,572 | 4,638 | N/A |
| Equity per Share* | \$ 9.45 | \$8.62 | \$8.13 | \$7.30 | \$5.15 | N/A |
| Working Capital | \$ 7,183 | \$ 7,069 | \$ 7,018 | \$ 6,713 | \$ 2,492 | N/A |
| Dividends per Share | 24¢ | 24¢ | 18¢ | — | — | — |

* based on 900,000 shares outstanding

Subsidiaries:

Automatic Screw Machine Products Limited
Federal Bolt & Nut Corporation Limited
Docap Manufacturing Company Limited
S. F. Bacher and Company Limited

Branch Warehouses:

Vancouver, British Columbia
Edmonton, Alberta
Calgary, Alberta
Winnipeg, Manitoba
Toronto, Ontario
Montreal, Quebec
Dartmouth, Nova Scotia

Head Office:

55 Brown's Line, Toronto, Ontario

